

Before the  
**FEDERAL COMMUNICATIONS COMMISSION**  
Washington, D.C. 20554

In the Matter of )  
 )  
Federal-State Joint Board ) CC Docket No. 96-45  
on Universal Service )  
 )  
Forward-Looking Mechanism ) CC Docket No. 97-160  
for High Cost Support for )  
Non-Rural LEC's )

**GTE'S COMMENTS IN SUPPORT OF OTHER  
PETITIONS FOR RECONSIDERATION  
OF THE FIFTH REPORT AND ORDER**

GTE Service Corporation and its affiliated domestic telephone operating companies ("GTE"), pursuant to 47 C.F.R. §§ 1.429, submits these comments in support of the Petitions for Reconsideration filed by Bell Atlantic, SBC Communications, Inc. and BellSouth Corporation concerning the Federal Communications Commission's ("Commission") Fifth Report and Order dated October 28, 1998 (the "Order") in the above-captioned docket.<sup>1/</sup>

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<sup>1/</sup> In the Matter of Federal-State Joint Board on Universal Service, In the Matter of Forward-Looking Mechanism for High Cost Support for Non-Rural LECs, CC Docket Nos. 96-45, 97-160, *Fifth Report and Order*, FCC 98-279 (rel. Oct. 28, 1998). The GTE affiliated domestic telephone operating companies are GTE Alaska Incorporated, GTE Arkansas Incorporated, GTE California Incorporated, GTE Florida Incorporated, GTE Hawaiian Telephone Company Incorporated, GTE Midwest Incorporated, GTE North Incorporated, GTE Northwest Incorporated, GTE South Incorporated, GTE Southwest Incorporated, Contel of Minnesota, Inc., GTE West Coast Incorporated, and Contel of the South, Inc.

**I. THE COMMISSION SHOULD CLARIFY THAT THE FCC MODEL WAS DESIGNED ONLY FOR UNIVERSAL SERVICE**

GTE supports Bell Atlantic's request that the Commission clarify that the Model was designed and should be used only for universal service purposes, and not for estimating unbundled network element ("UNE") or access service costs.

The Commission has already implicitly recognized that the Model is not suitable for UNE purposes. The Commission stated in the Order that it had adopted the HAI Model's less accurate switching module because "for universal services purposes, where cost differences caused by differing loop lengths are the most significant factor, switching costs are less significant than they would be in, for example, a cost model to determine unbundled network element switching and transport costs."<sup>2/</sup> The Commission chose the less accurate expense module from the HAI Model because it was deemed sufficient "for universal service purposes," and that "BCPM's [more detailed and accurate] allocation methodology would introduce an additional degree of complexity to the inputs stage of this proceeding that we conclude is not administratively justified in light of the potential marginal gains in accuracy."<sup>3/</sup> Unfortunately, these comments about the limitations of the Model have not kept some parties from suggesting that the Model could be used for UNE and access reform proceedings. For this and the other reasons explained below, the Commission should clearly state that the Model was designed only for universal service purposes.

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<sup>2/</sup> Order at ¶ 75.

<sup>3/</sup> *Id.* at ¶ 78.

Bell Atlantic correctly notes that the Model is not suited for costing UNEs or access services because, for example, it excludes a significant amount of plant and equipment that is needed to provide the entire range of elements that are costed in a UNE proceeding. The Model does not include "the cost of providing vertical features, advanced services such as digital subscriber line services or integrated services digital network services, data transmission, or investments for future growth,"<sup>4/</sup> and is intentionally not sophisticated enough to identify discrete vertical feature costs.

Equally important, however, the Model purposefully designs a network to support lines that provide only universal service, as defined in the Order. The Commission's Model calculates universal service costs based on network architecture and engineering standards that differ from those that govern the UNE and access networks. For example, the Commission defined a UNE loop in its First Report and Order in the Local Competition docket, CC Docket Nos. 96-98 and 95-185, as, "a transmission facility between a distribution frame, or its equivalent in an incumbent LEC central office, and the network interface at the customer premises. This definition includes, for example, two-wire and four-wire loops that are conditioned to transmit the digital signals needed to provide services such as ISDN, ADSL, HDSL and DS-1 level signals."<sup>5/</sup> The Commission defined ADSL service to require a transmission path facilitating a "6 Mbps

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<sup>4/</sup> Bell Atlantic Petition for Reconsideration at p. 12.

<sup>5/</sup> In re Local Competition Provisions in the Telecommunications Act of 1996 and In re Interconnection Between Local Exchange Carriers and Commercial Mobile Radio Service Providers, CC Docket No. 96-98 and 95-185, *First Report and Order*, FCC 96-325 (rel. Aug. 8, 1996) ("Local Competition Order") at ¶ 380.

digital signal upstream while simultaneously carrying an analog voice signal.<sup>6/</sup> The Model's loop network uses copper loops that are up to 18,000 feet, which are unable to accommodate either 6 Mbps digital signals required for ADSL, or the signals required for HDSL. Because the Model's universal service loops do not meet the Commission's definition of a UNE loop, the universal service network is incapable of providing the advanced services demanded in a UNE network. The Commission knew this was the case, but nevertheless ruled that the universal service network (as defined by the Commission) did not have to meet the UNE loop transmission requirements.<sup>7/</sup> Any model being used in a UNE or access proceeding, however, must meet the more stringent transmission parameters defined in the Local Competition Order.

## **II. THE MODEL SHOULD INCORPORATE BCPM'S EXPENSE MODULE**

GTE seconds BellSouth's suggestion that the Model's use of the HAI Model expense module be replaced with the BCPM expense module.<sup>8/</sup> The Order states that the HAI Model expense module was being modified to closely resemble BCPM's more accurate approach to expenses. Yet, as GTE explained in its Petition for Reconsideration and the affidavit of Dr. Roy attached thereto as Attachment E, the

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6/ Local Competition Order at ¶ 380.

7/ GTE disagrees with the Commission's ruling that different standards may apply depending on whether the costs being measured are for universal service, UNE or access services because (i) the same network will be used to provide all services, and (ii) it is inconsistent with TSLRIC/TELRIC principles. See Affidavit of Francis J. Murphy in Support of GTE's Petition for Reconsideration of the Fifth Report and Order ¶¶ 51-52 (filed December 18, 1998).

8/ See BellSouth Petition for Reconsideration at p. 5 n. 10.

simpler but less accurate HAI Model expense module is riddled with problems.<sup>9/</sup> It is unlikely that the Commission will be able to fix the numerous problems of a model module that they did not develop. Administrative ease should not be used to justify inaccurate Model results. Moreover, it would be far easier, from a practical standpoint, and more accurate and reliable for the Commission simply to replace the modified HAI module with the BCPM expense module.

### **III. THE COMMISSION HAS NOT JUSTIFIED THE MODEL EITHER THEORETICALLY OR EMPIRICALLY**

SBC stated in its petition that "[t]he cost model adopted by the Commission is justified on a theoretical basis."<sup>10/</sup> GTE reads this statement to mean that the Commission attempted to justify the Model only in theory, and did not attempt to justify it, as should have been done, with empirical data. Based on that interpretation, GTE wholeheartedly agrees with SBC's criticism. In addition, GTE reiterates that the Commission has also failed to justify the Model even on a theoretical basis.<sup>11/</sup>

A cost model cannot be understood or validated, and should not be adopted, based merely on a written description of how it or its modules should work in theory. Yet, that is what the Commission has done. As SBC notes, the Commission has produced no data showing the results of the Model. As a result, parties must trust that

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<sup>9/</sup> See Roy Affidavit at ¶¶ 12-26 (filed December 18, 1998).

<sup>10/</sup> See SBC Petition for Clarification and Reconsideration at p. 2.

<sup>11/</sup> GTE explains why the Model has not been justified in theory in both GTE's Petition for Reconsideration, and the lengthy critique of the HAI Model authored by Network Engineering Consultants, Inc. and National Economic Research Associates, Inc., submitted in this docket by GTE.

the Model works as advertised. GTE and other parties should not be forced to do so, especially since the agency has now conceded that it did not rely on any Model runs, output reports, or any other empirical data to conclude that the Model generates reasonable or reliable results.<sup>12/</sup>

For the reasons set forth in GTE's Petition for Reconsideration and the petitions filed by Bell Atlantic, SBC Communications, Inc. and BellSouth Corporation, the Commission should set aside the Order, finish its development of all aspects of the Model, disclose all underlying data and information necessary for a complete evaluation

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<sup>12/</sup> The Common Carrier Bureau stated in a recent order that "[t]his decision [to adopt the Model] was not based on results obtained from running the model with any particular set of inputs, but rather on assessments of the model's algorithms and logic." In the Matter of Federal-State Joint Board on Universal Service, In the Matter of Forward-Looking Mechanism for High Cost Support for Non-Rural LECs, CC Docket No. 96-45, 97-160, *Order*, DA 98-2567 (rel. Dec. 17, 1998) at ¶ 6.

of the Model for all states, and thereafter give GTE and other parties the opportunity to comment upon it.

Respectfully submitted,

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## CERTIFICATE OF SERVICE

I, Thomas W. Mitchell, do hereby certify that on this 15th day of January, 1999, I have caused a copy of the foregoing GTE Comments in Support of Other Petitions for Reconsideration of the Fifth Report and Order to be served, via hand delivery, or as otherwise indicated, upon the persons listed on the attached service list.

A handwritten signature in black ink, appearing to read "Thomas W. Mitchell", written over a horizontal line.

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